

LEGISLATIVE AUDIT COMMISSION



Review of
Office of the State Fire Marshal
Two Years Ended June 30, 2006

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Springfield, Illinois 62706
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REVIEW: 4280
OFFICE OF THE STATE FIRE MARSHAL
TWO YEARS ENDED JUNE 30, 2006

FINDINGS/RECOMMENDATIONS - 27

ACCEPTED - 7
IMPLEMENTED - 20

REPEATED RECOMMENDATIONS - 6

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 9

This review summarizes the auditors' report of the Office of the State Fire Marshal for the two years ended June 30, 2006 filed with the Legislative Audit Commission on June 5, 2007. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Office of the State Fire Marshal was created by the State Fire Marshal Act effective July 21, 1977. The Office is located in Springfield, with additional offices in Chicago and Marion, Illinois. The primary function of the Office is public safety. The Office's mission statement is to reduce death, injury, and property loss of Illinois citizens from fires, explosions, and other hazards. The Office is organized into the following divisions: Arson Investigation, Fire Prevention, Boiler and Pressure Vessel Safety, Petroleum and Chemical Safety, Personnel Standards & Education, Elevator Safety, Public Education, Technical Services and Homeland Security.

During the examination period, Mr. J.T. Somer served as State Fire Marshal from July 1, 2004 until October 6, 2005. Mr. Dave DeFraties served as Interim State Fire Marshal from October 7, 2005 until February 5, 2006. The appointment of the current State Fire Marshal, Mr. David Foreman, became effective February 6, 2006. Mr. Foreman was not previously employed by the Agency.

Appendix A summarizes certain activities of the Office of the State Fire Marshal. According to the audit report the Office of the State Fire Marshal performed 15,099 fire prevention inspections on buildings, and a total of 45,358 State and insurance boiler and pressure vessel safety inspections. The Office conducted 1,369 arson investigations and inspected 4,413 underground storage tanks in FY06. Inspection of each tank and associated piping is required upon installation or removal. The Office also reimbursed local fire departments \$900,000 for part of their training costs.

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The average number of full-time equivalent employees is presented below:

<i>Division</i>	<i>FY06</i>	<i>FY05</i>	<i>FY04</i>
Administration	28	27	24
Arson Investigation	22	20	19
Boiler & Pressure Vessel Safety	23	22	18
Elevator Safety	1	3	1
Fire Marshal (Comptroller payroll)	1	1	1
Fire Prevention	27	30	27
Petroleum & Chemical Safety	23	26	23
Personnel Standards & Education	9	9	11
Public Education	2	0	0
Technical Services	2	0	0
Homeland Security	1	0	0
<i>TOTAL</i>	145	138	124

Expenditures From Appropriations

Appendix B presents a summary of appropriations and expenditures for the two-year period under review. The General Assembly appropriated a total of \$22,638,950 to the Office of the State Fire Marshal in FY06: approximately \$18.7 million from the Fire Prevention Fund; almost \$3.5 million from the Underground Storage Tank Fund; and \$447,700 from other funds. Total expenditures from all funds was \$15,902,771 in FY05, compared to \$18,027,514 in FY06, an increase of \$2,124,743, or 13.4%. Expenditures changed significantly in several lines as follows:

- personal services increased because the number of employees increased;
- 4% of employee retirement is now paid by employees instead of the State;
- State contribution to SERS decreased from 16% in FY05 to almost 8% in FY06;
- contractual services increased due to payments to CMS for rent and utilities;
- computer equipment and vehicles were replaced in FY06;
- the Life Safety Code, Risk Watch/Remember When, and Nite Grant programs were all new in FY06;
- training expenditures increased due to an increase in the amount of training for all employees in FY06; and
- repayment requests from the Firefighters' Memorial Foundation were not approved for FY06.

Lapse period expenditures were \$4.2 million or 23.4% in FY06 because most of the training grants were paid during the lapse period, and the Office purchased several vehicles and computers in the lapse period. Recommendation No. 10 relates to vehicle purchases.

Cash Receipts

The table appearing in Appendix C summarizes a comparative summary of cash receipts for the Office of the State Fire Marshal. Total cash receipts were \$4,979,268 in FY06 compared to \$4,867,318 in FY05

Boiler fees were doubled per PA 93-032 and FY05 was the first full year the Act was in effect. The Pyrotechnic Distributor and Operator License Fee was established during FY06, while new accounts were created for Homeland Security grants, State Certification Exam fees, and FOIA request fees. In FY05 and FY06, the Office resumed receiving federal funds from the U.S. EPA to develop and implement the Underground Storage Tank Program.

Accounts Receivable

Appearing in Appendix D is the aging of accounts receivable by fund. Recommendation seven in the audit report relates to inadequate collection of receivables. This finding has appeared since 1990.

Property and Equipment

Appendix E is a summary of property and equipment changes at the Office of the State Fire Marshal during the period under review. The balance increased from \$3,868,470 as of July 1, 2004 to \$4,111,992 as of June 30, 2006.

Accountants Findings and Recommendations

Condensed below are the 27 findings and recommendations included in the audit report. Six are repeated from prior audits. The following recommendations are classified on the basis of information provided by Madeline Gumble, Chief Fiscal Officer, Office of the State Fire Marshal, via email received November 27, 2007.

Accepted or Implemented

- 1. Establish internal controls to ensure distributions from the Firefighters Memorial Fund are adequately monitored, specifically as follows:**
 - Continue efforts to decrease the balance of unspent State funds held by the Foundation, seek a formal commitment regarding the Foundation's future plans for the unspent funds, and actively work to recoup prior overpayments to the Foundation.**

Accepted or Implemented – continued

- **Comply with the competitive procurement provisions of the Illinois Procurement Code or publish notices and document compliance with statutory provisions for sole source procurements.**
- **Approve contracts prior to the performance of services and ensure that all documents regarding contracts are completed accurately.**

Findings: The Office of the State Fire Marshal did not exercise proper control over the contract and monitoring of the monies paid from the Firefighters Memorial Fund. The Office remitted \$50,000 in FY05 to the Illinois Firefighters Memorial Foundation pursuant to an annual contract.

During the current examination, the auditors noted the following deficiencies:

- The Office had not determined the Foundation's plans for over \$300,000 of unspent State funds received in prior years, nor did the Office request or recoup any overpayments from the Foundation. The Office previously stated the excess funds would be used by the Foundation for scholarships to children of firefighters killed in the line of duty. However, the Foundation billed the Office in FY05 for \$38,652 of scholarships awarded, rather than paying them from unspent State funds. Further, the Foundation's \$65,208 bill included \$1,595 for inappropriate expenditures, such as alcohol, lunches, and limousine services.

Office management stated that they have verbally requested that the Foundation have an external audit of its books and records, as they believe that the Foundation has excess State funds in its treasury. Further, management stated that reimbursements were not provided in FY06, and unspent State funds will be offset against Foundation expenditures.

- The Office did not use competitive procurement, nor did the Office demonstrate that services could only be economically and feasibly provided by the Foundation. Additionally, the Office failed to publish notices in the Illinois Procurement Bulletin as required for sole source procurement.
- The contract between the Office and the Foundation was signed 164 days after the beginning of services. However, the Contract Obligation Document (COD) was not properly completed. The COD stated June 13, 2005 was the contract start date.

Response: Accepted. The Office noted these deficiencies internally before the audit engagement, and has worked with IOIA to clarify the weaknesses and help make a stronger case for the need for correction. The Foundation is cooperating with the Office on corrective action.

Updated Response: Implemented. The Office has received the money back from the Foundation, and future contracts are not planned at this time. Instead the office will manage the events that were formerly delegated to the Foundation.

2. Require and maintain sufficient documentation to ensure contracted services have been provided and that the expenditures are reasonable and necessary.

Findings: The Office did not have adequate support for an Interagency Agreement with the Governor's Office of Management and Budget (GOMB) detailing the methodology for determining the allocation to be paid by the Office for the billing of shared services.

The Office, along with eight other agencies, entered into an Interagency Agreement with GOMB for the payment of \$15,000 as its share of the cost of a pilot roll-out plan. However, the Office was not provided documentation to support how the \$15,000 was determined.

Office personnel stated they signed the agreement not to obtain services, but solely to share the cost of services performed. In addition, Office personnel stated that the Interagency Agreement outlined the portion to be paid and no additional documentation was requested or provided.

Response: Accepted. The Office will request both the backup and the allocation plan if shared payment of contracts occur again in the future.

Updated Response: There has been no similar instance of shared payment since the one in the audit.

3. Strengthen controls to ensure contractual and grant agreements are approved prior to the effective date and all required procurements are subjected to the competitive bidding process. Further, contracts should be reduced to writing and filed with the State Comptroller's Office in a timely manner.

Findings: The Office did not competitively procure services, timely approve contractual and grant agreements, or prepare and file written contracts as required. During testing, the auditors noted the following:

- Five of six grant agreements tested, totaling \$5,122,800, were signed from 215 to 357 days after the beginning of the grant period. These grants were for fire department training and administration of the Underground Storage Tank Program. Further, two of 12 contractual agreements tested, totaling \$38,110, were approved and subsequently submitted to the State Comptroller's Office 34 and 53 days after services began.
- The Office did not seek competitive sealed bids for equipment rental procured from one vendor in each fiscal year. Expenditures totaled \$27,575 in FY05 and \$27,261 during FY06.
- The Office did not reduce to writing and file with the Comptroller liabilities with two vendors, totaling \$44,075, during FY05 and three vendors, totaling \$57,494, during

Accepted or Implemented – continued

FY06. Expenditures to each vendor exceeded \$10,000 during a fiscal year. Further, the Office did not file two contracts, totaling \$22,940, with the Comptroller.

Office personnel stated that late contract approval was due to disagreements with the contractor over the application of statutory requirements to the contract. Office personnel further stated contracts were not competitively procured, reduced to writing and filed with the Comptroller due to oversight.

Response: Each of the instances in question involved extenuating circumstances that were difficult, if not impossible, for the Office to avoid or control. The Office will continue to improve its procurement methods up to the time that procurement becomes a Shared Services function.

Updated Response: Implemented. The Office has named a new SPO who is managing our purchasing & procurements.

4. Enforce formal administrative controls over employees, which include employee tracking, timekeeping, and spot checks of all employees. (Repeated-2004)

Findings: The Office did not maintain adequate controls over employees designated to work from their home office or the Office's various locations. The Office had seven divisions with 76 field employees either working from their homes or a field office. These employees included inspectors, investigators, specialists and administrative staff. During review of internal controls, the auditors noted the following:

- There was no method to determine that employees worked during reported hours;
- There was insufficient timekeeping documentation for State employees;
- There was no method to track where employees should be at any point in time;
- Office personnel did not perform spot checks on employees;
- The Office did not appear to have adequate oversight over employees assigned to all locations; and
- There was an apparent lack of supervision over field employees.

In May 2005, management stated the Office implemented new internal controls over field staff, including timesheets, travel logs, itineraries, spot checks on employees, additional supervision, and reporting to management. Further, management stated they were finalizing updates to policies and procedures, and have plans for updated inspection tracking and electronic reporting for inspectors in the Division of Fire Prevention.

Management stated that the control weaknesses were due to changes in Office administration, reorganization of its administrative staff, and existing policies and internal controls not being enforced.

Updated Response: Implemented. The Office put controls in place to better monitor its field staff, most of them have been in place for two years.

5. Train employees on the proper method to record and accrue equivalent earned time (EET) and compensatory time. Further, all leave time should be approved in a timely manner.

Findings: The Office did not accurately report the accrual and use of employee leave time. Office employees earned either compensatory time or equivalent earned time (EET) for overtime worked. Employees earned holiday time for working on State holidays. The auditors tested a total of sixteen employees and noted the following:

- Four of six employees tested did not accrue EET correctly. As a result, accrued leave time was overstated by over 100 hours.
- Leave time was not timely approved for one of six employees tested. In five separate instances, EET or holiday time was requested and approved 50 to 315 days after the leave was taken.
- One of 10 employees tested for proper compensatory time accrual reported 25.5 hours of compensatory time, but had no record of overtime hours on their supervisor-approved timesheet.

Response: Accepted. The Auditor General's staff brought the EET rules to the attention of Office staff before the first year of EET closed. Thus, the Office was able to audit records and make adjustments without any staff using benefit time improperly. While trying to keep current on our mission-oriented work, Office staff are also attempting to be more timely with leave paperwork.

Updated Response: Partially implemented. CMS changed the policy for FY08, and we do not have clear direction on recordkeeping yet. Timekeeping will no longer be a function of the OSFM effective on Dec 1 when Shared Services takes over that function.

6. Take appropriate measures to ensure annual performance appraisals are conducted timely for all employees as required.

Findings: The Office did not conduct all required employee performance appraisals. The Office did not perform annual performance evaluations for six of 36 employees tested.

Response: Accepted. While trying to keep current on our mission-oriented work, Office staff are also attempting to be more timely with employee evaluations. To assist, Human Resources is sending out reminders.

Updated Response: Partially implemented.

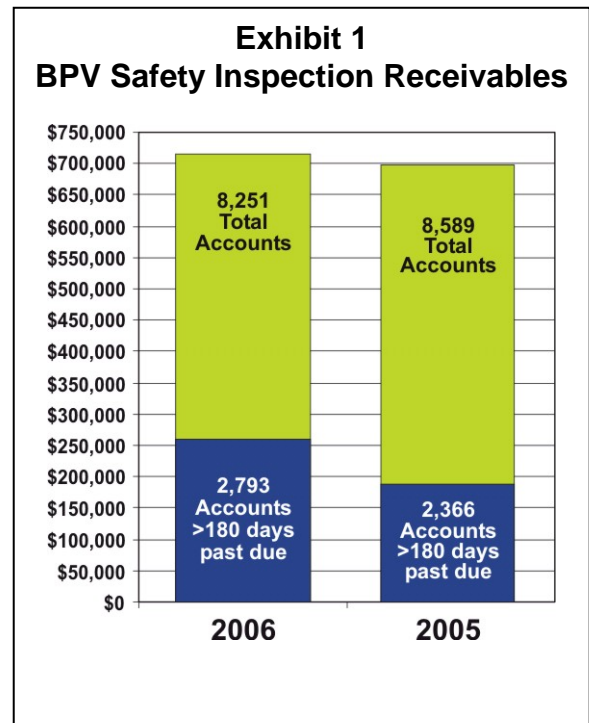
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7. **Strengthen procedures to monitor and pursue collections on delinquent accounts receivable. Specifically, send regular billings for all accounts refer delinquent accounts to the Comptroller's Offset System and pursue other collection methods. By monitoring the listings of accounts receivable regularly, the Office will be better able to administer proper collection procedures, which could minimize the need for the write off of receivables. (Repeated-1990)**

Findings: The Office did not sufficiently monitor and pursue collections on delinquent accounts receivable.

At June 30, 2006, Boiler and Pressure Vessel Safety Inspection receivables consisted of 8,251 individual accounts totaling \$715,000. Of this amount, \$260,000 (2,793 accounts) was greater than 180 days past due. At June 30, 2005, Inspection receivables consisted of 8,589 accounts totaling \$699,000. Of this amount, \$187,000 (2,366 accounts) was greater than 180 days past due.

At June 30, 2006, Underground Storage Tank (UST) receivables consisted of 26 accounts totaling \$53,000. Of this amount, \$41,000 (16 accounts) was greater than 180 days past due. At June 30, 2005, UST receivables consisted of 20 accounts totaling \$21,000. Of this amount, \$12,000 (9 accounts) was greater than 180 days past due.



The auditors noted the following deficiencies:

- The Office's accounts receivable collection procedures were not adequate to ensure the proper collection of fees due each fund. The Office sent an initial invoice and a second notice 60-90 days later, but did not make any further collection attempts after the second notice.
- The Office had not requested the Attorney General to certify any of the four accounts greater than \$1,000 and more than five years past due as uncollectible.
- The Office did not refer debts over \$1,000 and more than 90 days past due to the Comptroller's Offset System or an outside collection agency. As of June 30, 2006, the auditors noted 10 of 26 UST accounts over \$1,000 that were 247 to 2,467 days past due.

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Office personnel stated requests to the Attorney General's Office for certification as uncollectible had not been done due to oversight. The Comptroller's Offset System was not utilized because the Office did not collect enough information from debtors when the receivable was established. As of August 2006, the Office began using a collection agency to collect outstanding balances after the second notice for Boiler and Pressure Vessel Safety Inspections.

Response: Accepted. The Office was able to do substantial work toward compliance with both the existing and the new requirements for collection of old debt during the audit period. Since the end of FY06, the Office is showing success by using a collection agency and by properly accounting for write offs. The Comptroller's Offset system is still a challenge for us, but is being addressed.

Updated Response: Implemented. After the law went into effect, the Office prioritized updating its A/R and addressed the largest dollar area first. The finding reflects our smallest A/R which has since been evaluated and corrected.

8. File accurate and complete Agency Fee Imposition Reports by August 1 each year. Further, maintain adequate support for the amounts reported for each category of fees.

Findings: The Office did not file a complete and accurate FY06 Agency Fee Imposition Report with the State Comptroller.

The Office's FY06 Agency Fee Imposition Report contained several discrepancies, including omission of the number of fees collected. The State Comptroller requested the Office submit a revised report; however, the Office had not filed a revised report as of the end of our fieldwork. In addition, the Office did not maintain support for the total dollar amounts reported for the various categories of fees it collects. The Office reported 70,752 fees charged under 23 fee categories totaling approximately \$4.6 million for FY05.

Office personnel stated that the exceptions noted above were due to other projects taking priority.

Updated Response: Implemented.

9. Comply with the State Officers' and Employees' Money Disposition Act by making timely deposits into the State Treasury and documenting the date that receipts are received. In addition, implement controls over receipt processing to ensure adequate documentation is maintained and readily available. Properly prepare monthly reconciliations of agency receipts to Comptroller records, and maintain adequate segregation of receipt processing duties by ensuring independent employees perform the receiving, record keeping and reconciliation functions.

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Findings: The Office did not have adequate controls over receipt processing and refunds. The following inadequacies were noted:

- Cash receipts were not deposited timely in the State Treasury. Twenty of 50 receipts tested, totaling \$13,888, were deposited 1 to 14 days late. In addition, the timeliness of deposit could not be determined for 4 of 50 receipts tested, totaling \$6,390, because the Office did not maintain documentation of the date received.
- Supporting documentation could not be located for six of 50 receipts tested totaling \$12,630. In addition, supporting documentation could not be located for one of four refunds tested, totaling \$19,903.
- The Office did not properly perform monthly reconciliations of agency receipts to Comptroller's records (SB04). As a result, the Office did not discover that deposits-in-transit as of June 30, 2005, totaling \$210,356, were incorrectly recorded as FY06 receipts in Agency records.
- The Office's Boiler and Pressure Safety Division did not have an adequate segregation of duties in receipt processing. The Accountant Supervisor was responsible for receiving and recording receipts, preparing deposit slips, and reconciling the receipts.

Office management stated the exceptions noted above were due to employee turnover and oversight.

Response: Accepted. The Office was able to correct most of these deficiencies during FY06. We are continuing to look at ways to improve timeliness using technology.

Updated Response: Implemented. We obtained time extension (to 7 days) from the Treasurer and Comptroller that will eliminate the major issue of timeliness.

10. Comply with CMS Rules by ensuring that vehicles purchased are necessary and adequately utilized, transferring underutilized and unnecessary vehicles to surplus, and submitting an explanation of operational needs resulting in lesser vehicle usage for CMS approval. Further, establish internal guidelines to ensure cost effectiveness of vehicle replacement and document the basis for purchase decisions.

Findings: The Office did not adequately utilize its State vehicles, request approval for lesser usage, justify all vehicle assignments, or have established criteria or documentation for vehicle replacement decisions. The Office maintained a fleet of approximately 86 and 111 vehicles during FY05 and FY06, respectively. During testing, the auditors noted the following:

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- Forty-four (51%) vehicles during FY05 and 67 (60%) vehicles during FY06 were not sufficiently utilized to justify the need for the vehicles according to the Department of CMS criteria. These vehicles were driven from 0 to 1,463 miles on average per month, which is less than the expected usage of 1,500 miles per month that vehicles should be driven to justify need by an agency. Further, the Office did not submit any explanations of operational need resulting in lesser usage for DCMS approval. Eighteen of the vehicles were purchased during the examination period. In addition, 24 vehicles were not assigned to field staff, including 11 pool and utility vehicles.

Office personnel stated that they are aware that vehicles were not driven the minimum amount of mileage per month; however, the vehicles were necessary as most agency vehicles were driven by field staff who work from home offices located throughout the State. In addition, personnel stated prudent use of vehicles was expected of the drivers and job assignments were made to enable the most work to be performed in the least amount of time and mileage. Office personnel also stated that explanations of operational needs resulting in lesser usage were not submitted to CMS due to being unaware of the requirement.

- The Office replaced 36 vehicles during the period, expending \$1,013,882, but had no formal agency guidelines for determining when it was most economical to replace vehicles. It was unclear whether these purchases were necessary, as the Office could not provide documentation for replacement decisions and many of its vehicles did not meet current minimum utilization standards. Fourteen of the 36 (39%) replaced vehicles were 3 to 8 year old mid-sized sedans with mileage ranging from 68,568 to 99,507.

Management stated they do not have the ability or resources to establish internal guidelines for determining when it is most economical to replace vehicles and DCMS rules were considered sufficient due to the small size of the Office. Office personnel further stated some vehicles were replaced to obtain more economical vehicles with greater storage capacity. In addition, Office management stated that the vehicles with less than 100,000 miles could be given to State agencies that did not have the funding to purchase new vehicles.

Response: Accepted. In May 2007, the Office provided the Director of CMS an explanation of operational needs to resolve our low mileage vehicle concerns. The Office will continue to utilize CMS guidelines for fleet management.

Updated Response: Implemented.

11. **Comply with the Illinois Administrative Code by accurately and timely reporting to DCMS employees who are assigned a State vehicle.**

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Findings: The Office did not accurately or timely report to CMS employees who were personally assigned vehicles. The Office reported 73 and 72 vehicle assignments for FY05 and FY06, respectively. During testing, the auditors noted the following:

- Three employees assigned a vehicle during FY05 and seven employees assigned a vehicle during FY06 were not reported to CMS as required.
- Six employees were reported to CMS as being assigned a vehicle during FY05; however, these employees were not listed on the Office's Fleet Assignment Report as having a vehicle assignment.
- The Office did not report to CMS, other than annually, when vehicle assignment changes occurred.

Office personnel stated that the annual report prepared each April or May was accurate upon filing, but the vehicle coordinator was not aware of the interim reporting requirement for changes in vehicle assignments.

Response: Accepted. The Office will comply with the interim reporting requirement.

Updated Response: Implemented.

12. Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, obtain support for the specific funds for which savings are expected prior to making payments. (Repeated-2004)

Findings: The Office made payments for efficiency initiative billings from improper line item appropriations and failed to obtain sufficient support for funds from which savings were expected to occur.

During FY05, the Office received two billings, totaling \$177,007, from CMS for savings from efficiency initiatives. The auditors questioned whether the appropriate appropriations were used to pay for the anticipated savings. For example, Information Technology Initiative billings were not paid from EDP, but from line items where they had determined a majority of their expenditures occurred and/or line items where funds were available. Other payments did not have support for the fund from which savings were expected.

Office personnel stated they did not feel that an improper line item was used; the billings were charged to where the savings were anticipated by GOMB. In addition, management stated they were unable to determine if SFM experienced any savings from the efficiency initiatives and no evidence of savings was provided by CMS or GOMB. Management further stated that the Office held efficiency initiative payments to the end of the fiscal year so that operations were not adversely affected.

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Response: Accepted. Using documentation provided by the GOMB, the Office made the efficiency payments from the lines where we thought costs could have been paid had they been incurred. If efficiency payments occur in the future, the Office will try to obtain more detailed information to substantiate payment allocations.

Updated Response: There has been no similar instance of efficiency billings since the one in the audit

13. Strengthen controls to ensure reimbursements to employees are reasonable, necessary, and properly documented in accordance with Board Guidelines.

Findings: The Office did not adequately monitor and document meal reimbursements. During testing of seven meal reimbursements, the auditors noted the following:

- Two of seven reimbursements tested included meal expenses for State employees totaling \$538.
- Six of seven reimbursements included meal expenses of \$725 for non-State employees at rates higher than allowed in travel regulations. Further, when 30% of the meals were purchased, the State employee reimbursed was not on travel status as required.
- Two of seven reimbursements tested included reimbursement for tips, totaling \$98.
- Five of seven reimbursements did not specify why the expenditures were incurred in connection with State business.
- Two of seven reimbursements did not include the names of the individuals for whom the meals were purchased.

Office personnel stated they were unaware that meals for other State employees or tips were not reimbursable and no longer allow these reimbursements. Office personnel further stated they did not believe the meals purchased for non-State employees needed to be within the maximum rates established by the Board.

Updated Response: Implemented. The Office corrected this during the audit period, by November 2005.

14. Strengthen controls over travel and carefully review travel vouchers before approval and payment to minimize erroneous vouchers and payments. Further, obtain reimbursements for overpayments to employees.

Findings: The Office did not exercise adequate control over its travel expenditures. During testing, the auditors noted the following:

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- One of ten travelers tested requested and received reimbursement twice for the same trip. The traveler was overpaid \$191.
- Three of 25 travel vouchers tested claimed mileage in amounts greater than the usual route. The traveler did not explain or separately detail the reasons for the excess mileage. Mileage claimed was greater than mileage for the usual route by 13 to 32 miles, resulting in payments of \$55.
- Two of 25 travel vouchers tested, totaling \$1,391, did not specify the traveler's mode of transportation.
- One of 25 travel vouchers tested was not mathematically correct. This resulted in the traveler being overpaid by \$22.
- Two of 26 travel vouchers tested claimed significant inner-city mileage, which was not explained on the travel voucher. The traveler claimed a total of 161 miles driven within the cities of Springfield and DuQuoin on three separate days, resulting in payments of \$60.

Office management stated that these errors were due to oversight.

Response: Accepted. The Office has experienced turnover in the Travel Coordinator position, and will make sure that controls are maintained or strengthened in the future.

Updated Response: Implemented.

15. Implement controls and assign sufficient resources to ensure the timely filing of all quarterly reports as required by their federal grant agreements.

Findings: The Office did not comply with federal grant requirements to file quarterly reports. The Office received \$373,000 of federal grant funds during the examination period to implement the Underground Storage Tank Program. During testing, the auditors noted the following:

- The Office did not file four of eight required Small, Minority, and Women's Business Enterprises reports (MBE/WBE) during the period. In addition, one of eight MBE/WBE reports was filed 37 days late.
- The Office did not file four of eight required Financial Status Reports (FSR) during the period.
- The Office did not file any of the three required programmatic status reports during FY06.

Similar quarterly reports required by the United States Environmental Protection Agency (USEPA) Underground Storage Tank Program grant agreement were not filed.

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Office personnel stated that the MBE/WBE and FSR reports were not filed because the grant funds were either not yet drawn down or were already fully expended; therefore, reports were a low priority. Office personnel further stated that the USEPA would like quarterly reports, but only demand the final one. In addition, Office personnel stated that the programmatic status reports were not filed due to lack of time and staff.

Response: Accepted.

Updated Response: Not implemented yet due to lack of resources. Available resources were directed at increasing the grant dollars and were successful.

16. Strengthen internal controls over equipment and ensure all equipment is accurately and timely recorded on the Office's property records. Also, follow SAMS procedures for completing accounting reports pertaining to Quarterly Reports of State Property. Further, implement appropriate procedures to ensure all property is necessary and adequately utilized or transferred to surplus. (Repeated-2004)

Findings: The Office did not maintain sufficient controls over property reporting or equipment. During testing, the auditors noted the following exceptions:

- Thirty-nine inventory items, totaling \$100,865, were not added to the Office's inventory records within 30 days of acquisition. Due to this, the FY06 2nd and 4th Quarter C-15's were understated by \$11,070 and \$89,795, respectively, resulting in inaccurate reporting of State property to the Illinois Office of the Comptroller (IOC). Agency personnel stated that the recording of inventory into the system was not kept up-to-date; therefore, estimates had to be used on the quarterly reports.
- Four of eight Quarterly Reports of State Property (C-15s) submitted to the IOC contained misclassification errors. One of the C-15s had \$1,467 of deletions netted with the additions. Also, three of the C-15s reported \$237,760 of items sent to surplus as deletions, rather than transfers-out. Agency personnel stated the misclassifications were due to oversight.
- Four of twenty-five equipment items tested, totaling \$2,820, were not located in the proper location as stated on the inventory listing. Agency personnel stated property movement forms were completed, but the new location of equipment was not entered into the property control system.
- Nine equipment purchases, totaling \$6,228, appeared to be unnecessary or excessive. These items included three televisions and a portable stereo for management offices, a \$3,375 commercial icemaker, two refrigerators, a seat

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cover for the Fire Marshal's state vehicle, and a \$441 picnic table. One of the televisions was in storage and had never been used, after it was refused by an administrator who neither requested nor needed it.

Office personnel stated that they plan to assign the television to an employee or send it to surplus. Management stated the televisions were needed to monitor the news and work-related videos, although the director and the auditorium also had televisions. Personnel stated one refrigerator and the icemaker were used for fire service and training events hosted by the Office and the picnic table was used for an outdoor smoking area, although there were other refrigerators and picnic tables available.

Response: Accepted. The Office changed to a new record-keeping system during the audit period in an attempt to strengthen controls and facilitate reporting.

Updated Response: Implemented.

17. Comply with SAMS and submit the required accounting reports to the Office of the State Comptroller.

Findings: The Office did not prepare and submit the accounting for leases-lessee information (SCO-560) for leased equipment items with the Illinois Office of the State Comptroller for five leased equipment items totaling \$45,133. The items, four copiers and a mail processing machine, each had a fair market value of greater than \$5,000.

Office personnel stated that there was some confusion as to the requirements to complete and submit the SCO-560. Also, the Office did not file the form for the mail processing machine until July 2006 due to oversight.

Response: The Office will complete the proper forms if any leased items are acquired in the future.

Updated Response: Implemented.

18. Comply with the State Property Control Act as it relates to the purchase of furniture.

Findings: The Office did not file surplus furniture affidavits with the State Surplus Administrator for six of 25 equipment vouchers tested. These equipment purchases included 25 desks, 21 lateral files, 2 chairs, an office system and a conference table, which totaled \$53,625. Each item individually exceeded the \$500 threshold required for filing surplus furniture affidavits.

Office personnel stated that they were unaware of this requirement in the State Property Control Act, but affidavits will be filed in the future.

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Response: Accepted. The Office will file the affidavit as required in the future.

Updated Response: Implemented.

- 19. Develop, obtain management approval, and test the disaster contingency plan. Also, perform and document tests of the plan at least once a year. Further, continuously update the plan to reflect environmental changes and improvements identified from tests.**

Findings: The Office did not have a disaster contingency plan and had not performed recovery testing of its computing environment within the examination period.

Management stated a lack of resources did not allow testing and development of a plan during the engagement period.

Response: Accepted. The Office IT disaster plan has been partially developed and will be tested and in place in the future.

Updated Response: Partially Implemented. The agency has a disaster plan under review by upper management. Contingency measures are being evaluated and procured. An improved backup system was implemented. An in-house test of the plan will be completed by Jan 30, 2008.

- 20. Develop computer security policies and procedures which reflect the current environment and address general security requirements, procedures, and current laws and regulations. Once the policies and procedures have been developed and approved, distribute to all staff and monitor for compliance. Require all users to sign a statement acknowledging they have read, understand, and agree to comply with the policies. In addition, develop a security awareness program and conduct security training.**

Findings: The Office did not maintain security policies and procedures to ensure its computer resources were adequately secured including the Office's security requirements, processes for granting and terminating access rights, and procedures to comply with current laws such as the Data Security on State Computers Act and Personal Information Protection Act. Additionally, the Office had not developed a security awareness program or conducted security training during the examination period to ensure staff had a clear understanding of responsibilities.

Management stated a lack of resources did not allow for the development of policies and procedures.

Accepted or Implemented – continued

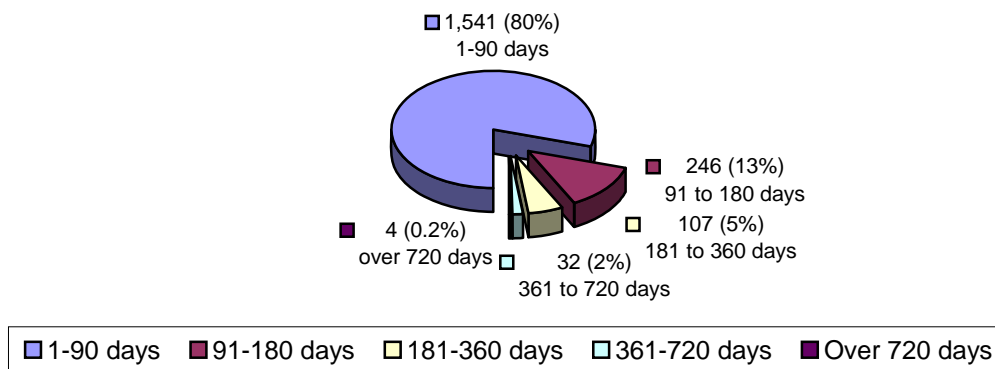
Response: Accepted. The Office IT security policies documentation is underway.

Updated Response: Partially Implemented. The agency has drafted a new Information Services Policy and Procedure Manual which is under review by upper management. An acceptance form will be distributed to all staff after the manual is adopted. A security awareness program has been recommended by CMS and is under consideration.

21. Continue working to reduce the backlog of inspections and implement necessary controls to identify and perform inspections in a timely manner. (Repeated-2002)

Findings: The Office had a high number of past due inspections of Boiler and Pressure Vessels for the period under examination. State law requires inspection at periodic intervals ranging from annually to once every three years. The inspections can be performed by authorized insurance company officials or by trained inspectors of the Office.

Thirty-five of fifty (70%) Boiler and Pressure Vessel inspections tested were not performed in a timely manner. These inspections were performed from three to 665 days late, with an average of 121 days late. Of the approximately 37,500 boilers and pressure vessels required to be inspected by the Office, there was an inspection backlog of 5.1% as of June 30, 2006. Although, the percentage of past due inspections decreased in the past 2 years, some of the required inspections were past due more than one year. The following chart illustrates the range of days past due for the 1,930 past due inspections as of June 30, 2006:



Management indicated that in prior years the past due inspections were due to a shortage of inspectors. The Office hired three additional inspectors in FY05 and another inspector in FY06 and is now catching up on the past due inspections. The average number of inspections performed for 2006 was 1,332 per inspector. As of June 30, 2006, the Office's Boiler and Pressure Vessel Safety Division had an authorized headcount of 25 employees of which 24 positions were filled. Of the 24 filled positions, 17 were Boiler Inspectors.

Office management stated the inspection database only identifies an inspection as due on or after the certificate expiration date. Further, management stated they are pursuing an administrative rule change to allow inspections before certificates expire, and to allow a grace period before inspections are past due. Office management stated that they have been working to decrease the backlog through hiring more inspectors, requiring overtime, and

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prioritizing the oldest past due inspections. Personnel also stated that no violation situations were included in the backlog, which reduced safety risks.

Response: Accepted. The Office agrees with the finding and will use the finding to help substantiate the needed rule change. The Office currently has the lowest past due level in several decades. No violations are included in our backlog.

Updated Response: Implemented. We will continue to reduce backlog of inspections and have done so since the audit finding. The rule changes are in process and expected by the middle of next year.

22. Comply with the statute by timely issuing the appropriate licenses showing the name, address, and the photograph of the licensee and the dates of issuance and expiration. Furthermore, comply with the Act, which specifically forbids refunds.

Findings: The Office did not comply with licensing and fee provisions of the Pyrotechnic Distributor and Operator Licensing Act. During the review, the auditors noted the following deficiencies:

- The Office did not issue the appropriate pyrotechnic license showing the name, address, and the photograph of the licensee and the dates of issuance and expiration as required by the Act. The Office notified operators and distributors, through letters, that they had been authorized, “on a temporary basis during the processing of applications, to conduct outdoor professional displays.” The letter, which served as a conditional license, did not include the photograph of the licensee, issuance, and expiration dates. The Office issued 546 conditional licenses between March 2006 and June 2006; however, no permanent licenses were issued as of January 29, 2007.
- The Office refunded pyrotechnic operators and distributors’ license fees totaling \$17,025, which are nonrefundable per the Act. The Office refunded \$75 of the \$100 operator’s licensing fee for 227 individuals who first took DNR’s explosive licensing course between January 1 and June 30, 2006.

Office personnel stated they could not issue permanent licenses until the administrative rules were approved by the Joint Committee on Administrative Rules. Management stated that licensing fees were partially refunded because the original fee structure was based on misinformation, which led to dual licensing requirements between the Office and the Department of Natural Resources. Further, management stated amendments to the administrative rules have been proposed to eliminate the dual licensing fees.

Accepted or Implemented – continued

Response: Accepted. After the legislation was passed, the Office was unable to roll out a viable program by the effective date. The finding reflects our attempts at a contingency that allowed the maximum compliance achievable in the short term.

Updated Response: Implemented.

23. Work with the Joint Committee on Administrative Rules to adopt rules consistent with the Elevator Safety and Regulation Act and the Elevator Installation Act to facilitate proper enforcement and administration of these Acts. (Repeated-2002)

Findings: The Office did not adopt rules for the administration and enforcement of elevator safety and installation standards during the examination period. The Elevator Safety Division was created in January 2003 to oversee the enforcement of elevator safety standards. The auditors noted the following:

- The Office did not adopt rules during the examination period for the administration and enforcement of the Elevator Installation Act. This Act sets forth specific requirements for the installation and operation of all hospital elevators over 55 feet high and elevators over 80 feet high in offices, hotels, factory buildings and residential buildings. The Office had estimated that between 20,000 and 25,000 elevators in Illinois met the criteria of the Act. The Elevator Installation Act requires that “the provisions of this Act shall be enforced by the State Fire Marshal.”
- The Office did not adopt rules for the administration and enforcement of the Elevator Safety and Regulation Act. This Act covers the design, construction, operation, inspection, testing, maintenance, alteration, and repair of elevators, escalators and other lifting mechanisms. In addition, the Act requires the Office to adopt rules consistent with provisions of the Act for the administration and enforcement of the Act.

Office management stated that draft rules had been submitted to JCAR on January 21, 2005, but were rejected on June 14, 2005 due to inconsistencies with the Acts. Emergency rules were developed and became effective July 21, 2006; however, they expired on December 18, 2006. As of the end of our fieldwork, the Office was still waiting for approval of final administrative rules.

Response: Accepted. The rules and the legislation were found to be weak, and the Office did not attempt to roll out a program with inherent weaknesses. Once final rules were adopted (April 24, 2007), the Office was ready and able to operate the program.

Updated Response: Implemented.

24. Work with other State and local government entities to timely identify the fire units entitled to arson fines. Further, properly distribute funds among the fire departments or fire prevention districts that suppressed or investigated the related fires for the purchase of fire suppression or fire investigation equipment.

Findings: The Office did not distribute arson fines received to the required fire departments and fire prevention districts for the purchase of fire suppression or fire investigation equipment. Thirteen of 14 (93%) arson fines, totaling \$3,832, were not

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distributed among the fire departments or fire prevention districts that suppressed or investigated the related fires.

Office personnel stated insufficient information was provided to determine which fire department or prevention district should receive the distribution. Personnel stated that the Office first made phone calls, then sent out a mass mailing in August 2005 to all fire departments, seeking help in identifying which fire departments were entitled to the distributions.

Response: Accepted. The Office was not able to distribute these new monies during the audit period. Additional efforts are being made to distribute these grants to the proper recipient.

Updated Response: Implemented.

25. Adopt adequate administrative rules for the proper enforcement of the Fire Sprinkler Contractor Licensing Act. Further, notify applicants by certified or registered mail of intent to refuse licensure as required by the Act.

Findings: The Office did not ensure compliance with the Fire Sprinkler Contractor Licensing Act regarding notification to an applicant of the Office's intent to refuse to issue a license.

During testing, the auditors noted both applicants that were refused licensure were not notified by certified or registered mail as required by the Act. However, the Office's administrative rules did not require that written notice be given by certified or registered mail.

Agency personnel stated that due to the program being new and due to a transition in upper management, the requirement of the statute was overlooked.

Response: Accepted. After the legislation was passed, the Office was unable to roll out a viable program by the effective date. The finding reflects our attempts at a contingency that allowed the maximum compliance achievable in the short term.

Updated Response: Implemented.

Accepted or Implemented – concluded

26. Adopt rules to administer the revolving loan program as required by the Fire Sprinkler Dormitory Act or seek legislative remedy.

Findings: The Office did not establish rules for the administration of the Fire Sprinkler Dormitory Revolving Loan Program as required by the Fire Sprinkler Dormitory Act.

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Office personnel stated that the rules had not been established due to the program not being funded, the absence of requests from universities for funding, and the lack of resources to develop administrative procedures. Further, Office personnel stated that the FY07 and FY08 budgets do not include any provisions to initiate the Dormitory Sprinkler Program and it is unknown when the Office will have adequate resources available to draft the required administrative rules.

Response: Accepted.

Updated Response: Rules for the Sprinkler Dormitory Act are a low priority since there is no funding for the loan program proposed or pending.

27. Adopt rules outlining the minimum amount of training required by law. Further, obtain and maintain on file evidence of contractors' registration as an Illinois corporation or evidence of compliance with the Assumed Business Name Act.

Findings: The Office did not adopt rules setting minimum training requirements and did not require applicants to submit all information required by the Petroleum Equipment Contractors Licensing Act. The auditors noted the following:

- The Office did not adopt rules, as required, outlining the minimum amount of training required for personnel engaged in Underground Storage Tank (UST) activity regulated by the Act. In addition, the Office's administrative rules state, "By calendar year 2005, the Office plans to develop...and adopt rules establishing an Illinois specific curriculum for the training of UST contractors". Office personnel stated that rules have not been amended to address the statutory requirement due to a lack of funding and personnel.
- The Office did not obtain and maintain evidence of registration as an Illinois corporation, or evidence of compliance with the Assumed Business Name Act, for licensure applicants. The Act requires such evidence be submitted with each application for licensure as a petroleum equipment contractor. Office personnel stated they were unaware of the statutory requirement since it was not incorporated into the Office's administrative rules for enforcing the law. The Office received 180 applications for licensure during Fiscal Years 2005 and 2006.

Response: Accepted. The administrative rules place a requirement on licensure that effectively negates the need for separate review of minimum training. The Office will attempt to have the rules updated to reflect that decision. The Office will also attempt to amend rules to incorporate the on-line availability of the registration requirement.

Updated Response: Rule changes regarding Petroleum Installers Training are being considered as a part of the rewrite of the Part 170 rules due sometime in 2008.

Emergency Purchases

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The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During both FY05 and FY06 the Office of the State Fire Marshal did not file any affidavits for emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Office of the State Fire Marshal indicated July 2006 that 84 employees were assigned to locations other than official headquarters.